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## EXTRAORDINARY

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## MINISTRY OF STEEL, MINES AND FUEL

(Department of Iron and Steel)

## RESOLUTION

*New Delhi, the 25th November, 1959*

No. PS-45(112)/57.—In July 1953, the Government of India entered into an agreement with the Indian Iron & Steel Co. Ltd., Calcutta, by which a special advance of Rs. 10 crores was granted to the Company from the Iron & Steel Equalisation Fund for financing their expansion programme. A second special advance of Rs. 18,26,476 was given to the same Company in July 1955 on the same terms and conditions, for meeting the commitment charges payable by them to the International Bank for Reconstruction and Development against a loan advanced by the Bank. A similar advance of Rs. 10 crores was given to the Tata Iron & Steel Co. for financing their modernisation and expansion programme under an agreement signed in May 1954. According to the terms of the agreements with the two Companies, the advances were to have no maturity date and were to be interest-free till the 30th June, 1958 or such other later date as would be mutually agreed upon. The Government of India were to decide, on the advice of the Tariff Commission, whether after the 30th June 1958 the Companies should be charged any interest at all and the rate of repayment. The agreements also stipulated that both the advances and the interest on the advances should be repaid from earnings arising from a special element in the retention prices over and above the normal retention prices.

2. In accordance with the provisions of section 12(d) of the Tariff Commission Act and the terms of the agreements, the Government of India in the Ministry of Commerce and Industry in their letter No. 63(9)-T.R./58, dated the 22nd May 1958 referred, for advice, to the Tariff Commission the question of charging interest from the 1st day of July 1958, as *prima facie* the Government of India felt that interest should be charged from the 1st July 1958.

3. The Tariff Commission have conducted the enquiries and submitted their report. Their recommendations are:

- (i) The ways and means position of the Indian Iron & Steel Co. at the end of 1959-60 is expected to be comfortable. The Tata Iron & Steel Co. will have to raise additional resources by way of fresh share capital to balance their ways and means position.
- (ii) Interest on the special advances granted to the Tata Iron & Steel Co. and the Indian Iron & Steel Co. should be charged at the rate of 5 per cent per annum.

- (iii) Interest on the special advances should be charged to the two Companies as from 1st July 1958 at 5 per cent per annum. The actual recovery of the amounts may, however, be postponed until a decision is taken regarding the common retention price to all the main producers of iron and steel both in the public and private sectors after 31st March, 1960.
- (iv) The calculation of a special element in the *normal* retention price for steel for meeting interest charges on the special advances should be postponed until after 31st March 1960 when it will be necessary to work out the cost of production and fair profit required by the two Companies (Tata Iron & Steel Co. and Indian Iron & Steel Co.) along with other producers of steel.

4. The Government of India accept the recommendations of the Tariff Commission contained in paragraph 3 above.

ORDER

Ordered that a copy of this Resolution be communicated to all concerned and that it be published in the Gazette of India Extraordinary.

S. BHOOHALINGAM, Secy.